Volume 14 No. 1, September 17, 2007

CHAIRMAN'S MESSAGE – Leonard Blocka

The national and international dairy markets are about as changeable as Saskatchewan weather.

A year ago, Canadian producers were facing a steady demand for many dairy products and large surpluses of skim milk powder. But managers of the national supply system were caught short by the sudden turnaround in demand for dairy products at home and abroad as we moved through the last Dairy Year. Driven by surging demand in developing countries such as China, India and Brazil, world prices and consumption hit new heights. To further aggravate the situation, milk supplies declined in the US and Australia. Skim milk powder is now in high demand with prices doubling within the year. Special class prices have been raised to keep pace with rising US prices – all supporting higher pool returns for industrial classes.

Canadian processors have been quick to respond to stronger markets. However, short supplies have meant less processing into butter for sale to the CDC for reintroduction into the further processing market this fall. As a result, the CDC has been forced to import butter from the European market and New Zealand in order to meet the peak holiday demand.

This strong demand situation has been reflected in the quota increases afforded to producers during the latter half of the dairy year, and will continue at high levels in the foreseeable future. At the start of the new Dairy Year, producers will receive a **4.02% permanent increase** in Total Production Quota (TPQ). **In addition,** the Board is issuing a **1.49% temporary increase** in Total Production Quota as a further production incentive as we start the new Dairy Year. Accordingly, producers are strongly urged to produce at sustained, and if possible, at higher levels as we enter the new Dairy Year.

You will recall that if the province does not produce 97% of its quota allocation in the first six months of this Dairy Year, the province (and producers shipping under 97%) will have quota suspended, with their unused quota made available to other provinces that are capable of producing to meet the national market requirements.

Details of all changes in the quota management policy are highlighted in the 2007-08 Quota Policy document included with this mail out. Of particular note is the change from a voluntary to a mandatory quota exchange, effective January 1, 2008.

Please note the time and place for the fall round of joint Milk Control Board/Dairy Farmers of Saskatchewan producer meetings. Please make every effort to attend the producer meeting in your area so that you can directly participate in various policy discussions, and receive the latest information on the state of the industry and its implications for your operation.

On behalf of Milk Control Board and staff, I wish you a most successful 2007/08 Dairy Year.

QUOTA EXCHANGE

The first butterfat Quota Exchange of the 2007-2008 dairy year was conducted on September 17, 2007. The market-clearing price established for the Unused Quota Exchange was **$50.00.** There was no market-clearing price established for the Used Quota Exchange. The results of the September 2007 Quota Exchange are outlined in the following Tables.

The next monthly Quota Exchange for the 2007-2008 dairy year will be held on October 15, 2007. All offers to sell and bids to purchase quota through the Quota Exchange must be received at the Board office by midnight, October 6, 2007. The Board recommends that offers and bids be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.

Just a reminder to producers that when making bids on the Quota Exchange, the price on offers to sell quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Exchange.

Conversely, the price on offers to purchase quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Exchange.

The clearing price is established at the price where the smallest difference exists between the accumulated volume offered for sale and the accumulated volume bid to purchase. To determine the clearing price of Total Production Quota, the bids to buy may be adjusted to five percent of annual production quota issued. This is necessary to avoid price distortion from excessively large bids.

TABLE I

UNUSED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$50.00**
Kilograms offered to Purchase – total	**15,400**
Kilograms offered to purchase at 5% adjustment	**7,703**
Kilograms offered to Sell	**26,566**
Kilograms sold	**7,059**
Number of Producers	
- offered to purchase	**5**
- purchased quota	**5**
- offered to sell	**13**
- sold quota	**6**

UNUSED QUOTA EXCHANGE

Price ($/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
49.50	5	5	6,859	6,859	-844	7,703	0	5	0
50.00	**1**	**6**	**200**	**7,059**	**-644**	**7,703**	**2,909**	**5**	**1**
54.00	1	7	990	8,049	3,255	4,794	0	4	0
55.00	1	8	100	8,149	3,355	4,794	3,794	4	3
55.10	0	8	0	8,149	7,149	1,000	1,000	1	1
56.00	1	9	1,250	9,399	9,399	0	0	0	0
60.00	2	11	16,926	26,325	26,325	0	0	0	0
67.00	1	12	91	26,416	26,416	0	0	0	0
72.00	1	13	150	26,566	26,566	0	0	0	0

TABLE II

USED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$ ------**
Kilograms offered to Purchase – total	**-------**
Kilograms offered to Sell	**-------**
Kilograms sold	
Number of Producers	
- offered to purchase	
- purchased quota	
- offered to sell	
- sold quota	

USED QUOTA EXCHANGE

Price ($/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
------	0		0				0		0

BUTTERFAT PRODUCTION AND COMPONENT PRICING, AUGUST 2007

Butterfat production for August 2007 totalled approximately 666,836 kilograms. This was approximately 4.06% higher than August 2006 shipments. **For the first month of the 2007-2008 dairy year, Saskatchewan's allocation of Total Production Quota totalled approximately 728,438 kilograms. In the first month, the province has shipped 91.54% of that amount.**

The weighted average component tests and prices for the province in August are indicated in Table III.

Over quota (4m) holdings are $335,193.21 for the first month of the 2007/2008 dairy year.

TABLE III

Components	Average Test	Price per kilogram Class 1 to 5
Butterfat	3.6304	$11.168880
Protein	3.2350	$ 8.168880
Other Solids (S.N.F.)	5.6858	$ 1.161952

Based on the average component tests for the province, the average price received was $73.5803 per hectolitre. The average butterfat price received per kilogram was $20.27.

SASKATCHEWAN MILK POOL RESULTS August 2007

TABLE IV

Milk Sale Revenue	$ 13,175,340.35
Western Milk Pool	$ 433,704.58
Dairy Farmers of Canada Skim Off	$ -20,602.89
Plant of Last Resort Service	$ -56,888.49
Total Pool Value	**$ 13,531,553.55**

ACCOUNTING VALUES FOR CLASSES OF MILK – September 2007

TABLE V

	Butterfat ($/kg)	**($ per hl. Skim milk)**	
Class 1a	$5.3000	$58.45	
Class 1b	$5.3000	$58.45	
Class 1c	$5.3000	$44.50	
	Butterfat ($/kg)	**Protein ($/kg)**	**Other Solids ($/kg)**
Class 2	$7.2333	$5.4013	$5.4013
Class 3a	$7.2333	$12.6330	$0.8428
Class 3b	$7.2333	$12.4025	$0.8428
Class 4a, 4b, 4d & 4d(i)	$7.2333	$5.0219	$5.0219
Class 4a(i)	$7.2333	$1.7000	$1.7000
Class 4c	$7.2333	$4.3370	$4.3370
Class 4m	$0.00	$0.00	$0.00
Class 5a	$3.7303	$9.2051	$1.3221
Class 5b	$3.7303	$4.2661	$4.2661
Class 5c	$3.3740	$3.3740	$3.3740
Class 5d	**As determined by**	**the CDC**	

CLASS 1 PRICE INCREASE – AUGUST 1, 2007

The Alberta Energy and Utilities Board increased the minimum price for Class 1 milk by $1.96 per hl. effective August 1, 2007 based on a two month trend analysis. Accordingly, the Saskatchewan Milk Control Board increased the Class 1 price to producers by $1.96 per hl. effective August 1, 2007.

QUOTA INCREASE – AUGUST 1, 2007

Producers will receive a **5.51% increase** in Total Production Quota (TPQ) to start the new dairy year, compared to the previous dairy year. This large quota increase is driven by the strong national and international demand for milk and milk products, and the very low butter stocks held by the Canadian Dairy Commission as the industry moves into the high demand time of the year. The increase amounts to a starting provincial quota of 8,639,285 kilograms of butterfat.

The quota increase is comprised of the following elements:

Permanent increase -	4.02% (can be bought, sold and swapped)
Temporary increase -	0.49% carry forward – can be swapped only
-	1.00% provincial over issuance – can be swapped only
Total TPQ increase	**5.51%**

Included in the 4.02% permanent quota increase is a 1.5% Market Share Quota (Industrial) quota increase to reflect the growing demand for milk products, and as a further incentive to produce adequate milk supplies for the market.

The Board regrets any inconvenience caused by the delay in providing producers with their August 1, 2007 quota allocation.

The delay in providing this information was due to the difficulty encountered by the Canadian Milk Supply Management Committee in reaching a consensus on the national growth allowance for the new Dairy Year (which formed part of the total quota allocation).

Once this matter was resolved, the Canadian Dairy Commission was then able to provide all the provincial Boards with their quota allocations for the start of the year. The Milk Control Board then moved as quickly as possible to provide individual producers with their August 1, 2007 starting quota allocations.

Producers are being challenged to substantially increase production, particularly during the first six months of the new dairy year, during which timeframe producers and the province are required to produce at least 97% of their allocated quota, or incur a suspension of unused quota. Please refer to the 2007-2008 Quota Maintenance Policy for specific particulars of the quota maintenance requirement.

QUOTA MANAGEMENT TABLE & QUOTA LICENSE

Please find enclosed your quota management results for August, 2007. This table indicates the percentage of each producer's quota allocation utilized as well as the kilograms of butterfat produced by these shipments.

For the 2007-2008 dairy year, the Board will continue to provide these results on a monthly basis. We hope this information will assist producers with their management decisions regarding the utilization of their butterfat quota. If you have any questions, please contact our office.

Also included in this mail-out is your Quota License which indicates your August 1, 2007 Total Production Quota.

JOINT MILK CONTROL BOARD/DAIRY FARMERS OF SASKATCHEWAN PRODUCER MEETINGS

The Board and DFS are pleased to announce that they will once again hold the next session of producer meetings as a joint effort. Please plan to attend. An agenda will be sent to producers with the October newsletter. The schedule of meetings will be as follows:

Date	Time	District	Location
Monday, October 29	9:30 a.m.	Yorkton	St. Mary's Parish, Ukrainian Catholic Cultural Center 240 Wellington St. Yorkton
Tuesday, October 30	9:30 a.m.	Francis	Francis Hall, Francis
Wednesday, October 31	9:30 a.m.	Swift Current	F.O.A. Eagles 1910 Service Rd. W, Swift Current
Thursday November 1	9:30 a.m.	Saskatoon	Hilton Garden Inn Commonwealth Room 90-22nd Street East Saskatoon
Friday, November 2	9:30 a.m.	Melfort	Travelodge 101 Spruce Haven Rd., Melfort

QUOTA LISTING SERVICE

The Board offers a free quota listing service as part of its Newsletter. Anyone wishing to sell or purchase quota and/or cows, or swap quota is welcome to contact the Board office at (306) 787-5319. All prices and negotiations will be independent of the Milk Control Board.

For Sale

- 2000 gallon Delaval tank. Contact James Hein (306) 365-3209
- 14 Holstein heifers bred Black Angus starting to calve September, October, November. Contact Dorothy Scheidt (306) 748-2817

- Complete dairy farm 20 miles north of Saskatoon just off a major highway. Contract signed for city water coming 2008. 17,382 kilograms quota, 45 registered Holstein cows, some young stock. RHA 221-228-220. 15VG 30GP. Also willing to sell only cows and quota. (306) 239-4818.

Want to Swap Quota

- Jerry @ Simmie Colony would like to swap in approximately 2,000 kilograms unused quota. Phone (306) 741-1707

MILK CONTROL BOARD MEMBERS

Leonard Blocka, Chairman	Dairy producer
Dr. David Christensen	Dairy researcher/professor U of S
Joseph Guenther	Dairy producer
David Finlay	Dairy producer
Garf Stevenson	Consumer representative
Joanne Mortenson	Processor representative

For further information, please contact the Saskatchewan Milk Control Board office.

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